

Reporting Direct Loan Data Elements



CHAPTER 4

In this chapter, we'll be discussing the process through which you report a student's loans to the U.S. Department of Education.

COD COMMON RECORD OVERVIEW

Person, award, and disbursement data for the Direct Loan, Pell Grant, and Teacher Education Assistance for College and Higher Education (TEACH) Grant Programs is reported to the Common Origination and Disbursement (COD) System using the COD Common Record. One Common Record can contain data for multiple students and programs.

Most schools use PC-based software (such as EDEExpress) or vendor produced mainframe software to create and edit data that is then exported into the Common Record XML (Extensible Markup Language) document. Schools send and receive the COD Common Record using their Student Aid Internet Gateway (SAIG) mailboxes. Some schools contract with third-party servicers to perform these functions.

Schools may create or edit an individual student's record on the COD website. If changes are made on the COD website, schools have the option of receiving a Common Record web response, which is sent to schools' SAIG mailboxes and can be downloaded and imported into their financial aid systems. Check with your software vendor or system programmers to see if this import and update option is available on your system.

The COD Common Record consists of blocks of data that are grouped together by school, person, award, and disbursement. On the next page is a simplified graphic representation showing how data is organized within a Common Record document.

COD responds to schools' submitted records. This is known as a COD Common Record Response (response). The response indicates which data elements have been accepted and which have been rejected and why.

A rejected disbursement will cause the entire award, including its disbursements, to be rejected. A rejected award can cause the person to be rejected. For more details, see the COD Technical Reference.

ORIGINATION

Subsidized loans under \$200

If a student is eligible for less than or equal to a \$200 Direct Subsidized Loan, a school may choose not to originate the loan for that student. However, the school must include what would have been the subsidized loan amount as part of the student's unsubsidized loan.

Refusing to originate a loan

A school may refuse to originate a Direct Loan or originate an amount that is less than a borrower's unmet need. Such a decision can only be made on a case-by-case basis, subject to the rules described in *The Federal Student Aid Handbook, Volume 1*.

How the Actual Disbursement Date is used

The actual disbursement date that you report to COD is important because several regulatory requirements are based on that date.

- The school must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the disbursement.
- The disbursement date determines when the student or parent assumes responsibility for the loan and the time frame during which the borrower has the right to cancel the loan.
- The disbursement date is used when calculating interest.

Note that the adjustments to the disbursement amount do not change the disbursement date—adjustments to dates and amounts are distinct and reported separately.

Origination is the process of determining eligibility, creating the award in the school's system, certifying the Direct Loan as well as the borrower's eligibility for the loan. The origination record is then sent into the COD System. See CFR 685.301 for more information on originating a loan.

Schools may create or edit an individual student's record on the COD website. If changes are made on the COD website, schools have the option of receiving a Common Record web response, which is sent to schools' SAIG mailboxes and can be downloaded and imported into their financial aid systems. Check with your software vendor or system programmers to see if this import and update option is available on your system.

Schools are required to send disbursement information in the loan origination record when first reported to the COD System. The amount of a loan is affected by other aid that you are awarding the student (Estimated Financial Assistance.)

The total award for each loan is divided into separate disbursements, based on the academic terms or payment periods in the student's program. Chapter 3 explains the rules for determining the payment periods and calculating disbursement amounts.

There are two types of disbursement dates submitted to the COD System: anticipated and actual.

1. An anticipated disbursement is projected to take place on the anticipated date reflected in the award. Anticipated disbursements are indicated in the COD System with a Disbursement Release Indicator (DRI) set to F = False. Anticipated disbursements can be reported any time after COD software for the new program year is available.
2. An actual disbursement takes place on the date the loan funds are made available (paid out) to the borrower, generally by crediting the student's school account. The actual disbursement date must be updated in the COD System if the actual disbursement date is different than the anticipated disbursement date. Actual disbursements are indicated in the COD System with a Disbursement Release Indicator (DRI) set to T = True and can be submitted no earlier than 7 days prior to the actual disbursement date, but must be transmitted to COD within 15 days of the actual disbursement date. Refer to CFR 668.1.64 for additional guidance.

As a general rule, disbursement dates must be within the loan period dates with two exceptions:

1. When a school elects to disburse up to 10 days before the first day of classes for that payment period. For example, if a school's loan period begins on September 1 for the fall term, the school can disburse up to 10 days prior to the first day of class, which would be August 22. This is reported to the COD System as the disbursement date. As a reminder, the disbursement date is the date funds are credited to the student's account or paid directly to the student or parent in the case of a PLUS Loan.
2. The late disbursement rule, which allows an institution to make a late disbursement up to 180 days beyond the loan period. While the funds may be disbursed after the end of the loan period, the loan must have been originated while the student was considered an eligible student.

A Direct Loan award is booked and passed to our federal loan servicing team once an award is accepted and linked to a Master Promissory Note (MPN), and has an accepted actual disbursement.

Disbursements to 1st-year student borrowers must take place 30 days after the academic begin date, unless your school has a cohort default rate less than 15% for the previous three years data was available.

A student in a non-term program must successfully complete coursework in a payment period to be eligible for a disbursement in the subsequent payment period.

Since financial aid software products have different features and different ways of handling data, refer to your software manual or contact the software developer for more specific information about the steps needed to create Direct Loan awards and adjust loan information after the initial submission.

The student's *Grade Level* (the "student level code" in COD) is used to determine the student's annual loan limit. This data should be taken from or verified against the student's academic information kept by your school.

The total award for each loan is then divided into separate disbursements, based on the academic terms or payment periods in the student's program. The disbursement data must also include anticipated or actual disbursement dates, and the sum of the disbursement amounts associated with those dates must equal the total Loan Amount. We will not repeat all of the payment period rules here, but, in general, you will need to make at least one disbursement of each loan per academic term or payment period.

Earliest Disbursement Date

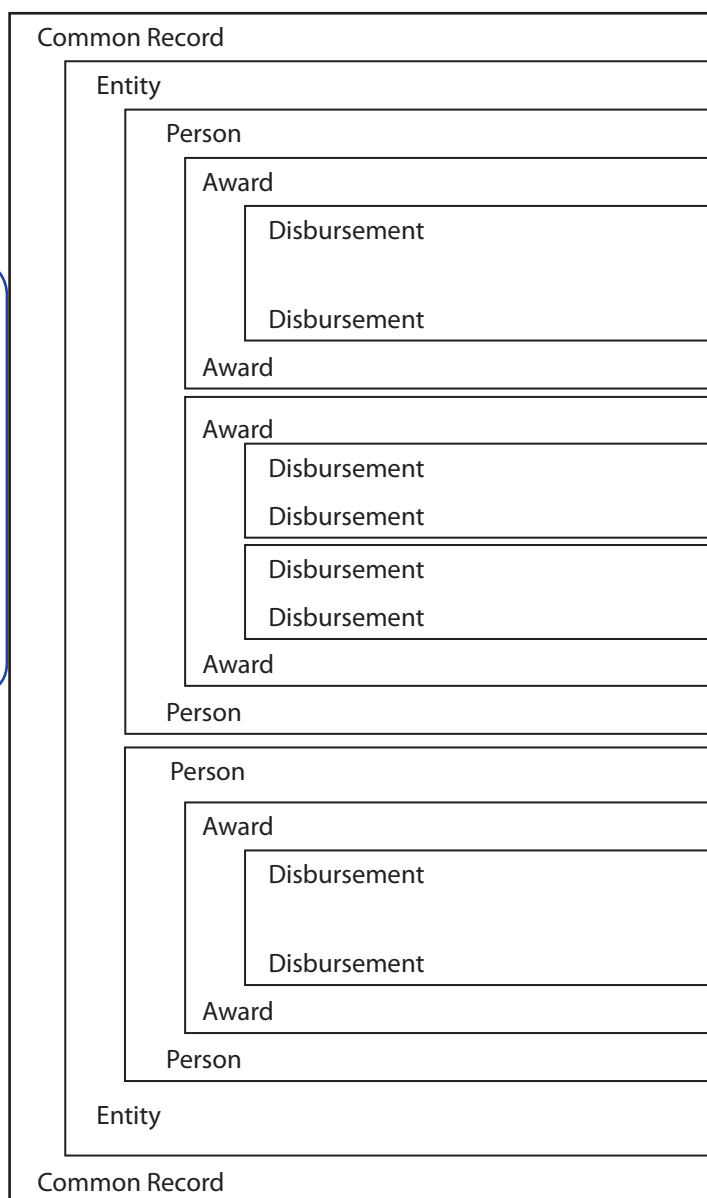
Many regulatory changes, including loan rebate and loan fee percentage changes, are dependent upon a loan's Earliest Disbursement Date (EDD). Accurate reporting of all disbursement dates is important because it impacts the loan's interest calculation. While COD processing edits are performed on both the anticipated EDD and the actual EDD, actual disbursement dates take precedence.

Booking a Loan

To book a Direct Loan, COD must receive and accept:

1. a Master Promissory Note that has been completed and signed by the borrower,
2. an award record that will link to the MPN (identifiers for the borrower match on the MPN and the COD common record), and
3. a disbursement record with an actual disbursement

Common Record Structure



Entity School

Person A unique individual

Award Pell, Direct Loan or TEACH Grant

All data elements between the opening and closing tags belong together. For example, the first person shown in the example has two awards. The second award has two disbursements.

Sources of Data for Loan Records

FAFSA/ISIR

- Student name, SSN, DOB
- Address
- Dependency status
- Citizenship status
- Default/overpayment status
- CPS Transaction Number

Packaging

Total loan amount

School Records

Grade level

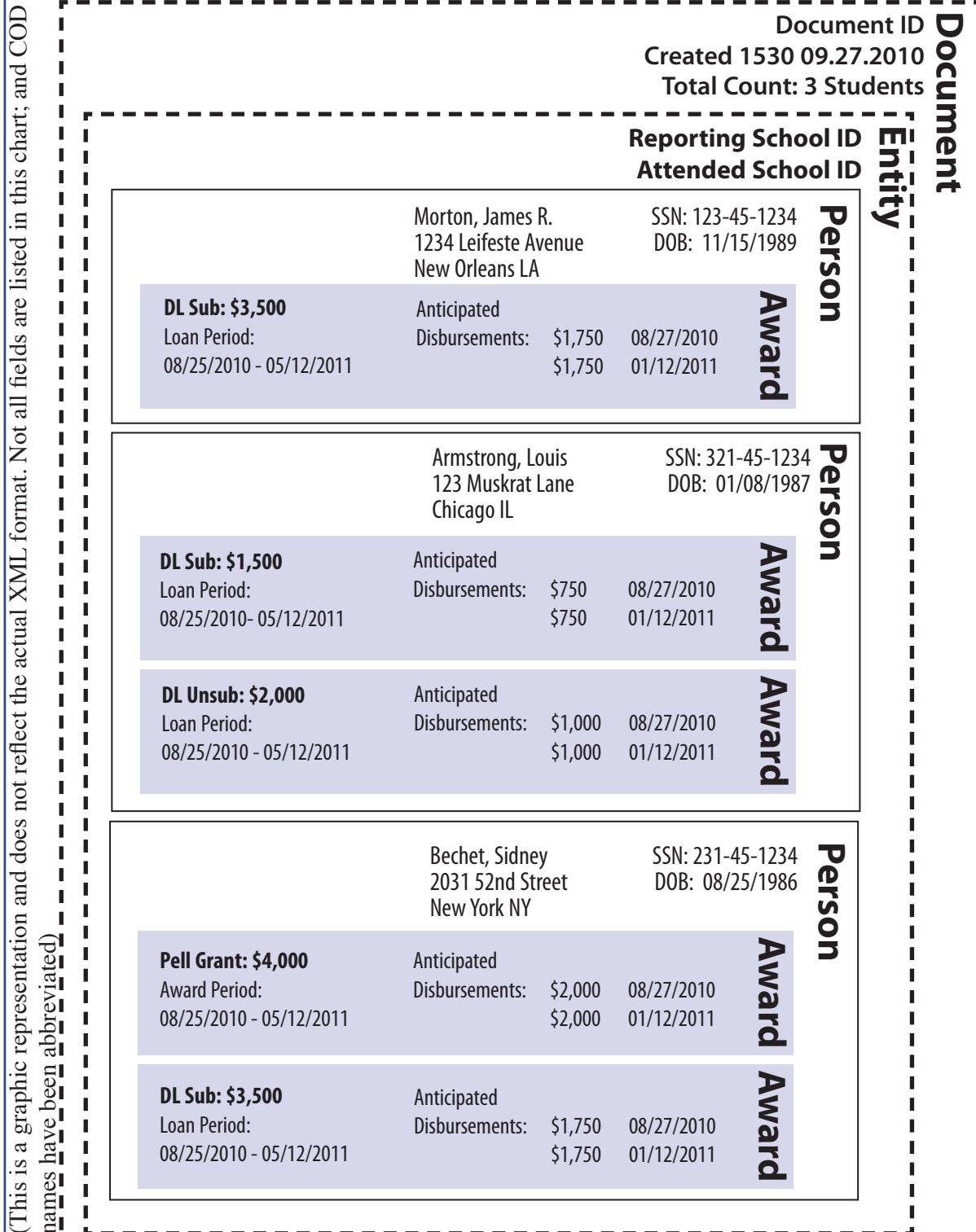
PLUS Request Form

Parental information

How Information is Organized in a Common Record Submission

When you send or receive Common Records batched files via SAIG, the batch record will contain several layers of cover information in addition to the award/disbursement records that are grouped in the batch.

This is an example of how selected fields are grouped in COD Common Record batches. In this example, data for a single school is being transmitted—in other cases, a servicer or main campus might be submitting data for multiple schools or branches.



Grade Level/Student Level Codes

The student's grade level (Student Level Code in COD terminology) is a key data element for loan awards.

- 0 = 1st year, undergraduate/never attended college;
- 1 = 1st year, undergraduate/attended college before;
- 2 = 2nd year undergraduate/sophomore;
- 3 = 3rd year undergraduate/junior;
- 4 = 4th year undergraduate/senior;
- 5 = 5th year/other undergraduate;
- 6 = 1st year graduate/professional;
- 7 = Continuing graduate/professional or beyond

PLUS Loans made to parent borrowers for a dependent undergraduate student must have a value of 0, 1, 2, 3, 4, or 5.

PLUS Loans made to graduate/professional students must have a value of 6 or 7.

The student academic level can change during the award year, so a student's eligibility for Direct Loan funds could change during the year.

Although the student's grade level is reported on the ISIR, your school is responsible for the accurate determination and reporting of student grade level.

Reporting Academic Year Period and Loan Period

When awarding a loan for just a single term, the full academic year period should be reported, because the academic year is the period to which the annual loan limit applies.

In this example, the loan period is August 24, 2012 – December 15, 2012 (reported as "Award Start" and "Award End" dates).

The full academic year is August 24, 2012 – August 23, 2013 (reported for the "Academic Start" and "Academic End" dates).

Award Information

Award Start Date	08/24/2012
Award End Date	12/15/2012
Academic Start Date	08/24/2012
Academic End Date	08/23/2013

Refer to Dear Colleague GEN-13-13: *Reporting of Academic Year and Loan Period to COD for Direct Loans* for examples.

Reporting the date of disbursement

If you are paying the student with Direct Loan funds, the actual disbursement date that you report to COD is the date your school:

- ♦ credits Direct Loan funds to a student's account, or
- ♦ pays the student or parent directly (by check, EFT, etc.).

If you are using school funds to pay the borrower in advance of Direct Loan funds, the disbursement date for FSA purposes is the earliest date that the student or parent could have received FSA funds. Thus, the “actual disbursement date” that you report to COD would be:

- ♦ The 10th day before the first day of classes of a payment period if your school uses its own funds to make the disbursement earlier than 10 days before the payment period.
- ♦ The 30th day after the beginning of a payment period if your school uses its own funds to make an earlier disbursement to a student who is subject to the 30-day delay.

DIRECT PLUS LOANS

Schools must advise borrowers about the benefits of exhausting Direct Unsubsidized Loan eligibility prior to originating Direct PLUS Loans.

Graduate/professional students must complete a FAFSA to be eligible for PLUS Loans.

Graduate/professional students who receive PLUS Loans are not required to make payments while enrolled at least half-time at an eligible school. Repayment of PLUS Loans is also deferred for an additional six months after they cease to be enrolled at least half-time.

Parent borrowers of PLUS Loans may request to defer repayment while the student is enrolled at least half time and may request to defer repayment for an additional six months after the student ceases to be enrolled at least half time. Each deferment requires a separate request. Parent borrowers who use the **StudentLoans.gov** website to request PLUS Loans can designate their preference for each deferment as part of the Direct PLUS Loan Request.

If the parent borrower is not applying via **StudentLoans.gov** Direct PLUS Loan Request, you will need to obtain some parent information from other sources, such as a borrower response section on your financial aid award letter.

Example: disbursement date when school funds are used

Steamboat University uses its own funds to credit Direct Loan awards to school charges for its returning students on August 7, even though the fall semester does not begin until August 27. Since the earliest FSA funds could be credited to the students' accounts was August 17, that is the date that Steamboat University reported as the date of the first disbursement, when it submitted award records for the students earlier in the summer.

PLUS Loans for graduate/professional students

HEA Sec. 428(b)
34 CFR 685.200(b) & (c)
DCL GEN-11-07

PLUS Loan amounts for parents & graduate/professional students

There are no fixed annual or aggregate loan limits for PLUS Loans. A graduate or professional student may be awarded a PLUS Loan for up to the student's cost of attendance minus other estimated financial assistance (see *The Federal Student Aid Handbook, Volume 3* for packaging rules).

Similarly, the total PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent (including a non-custodial parent) may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment.

Requesting a credit check

The MPN includes authorization for the credit check. If an accepted MPN is not on file, permission from the borrower is required prior to originating a PLUS Loan.

A credit check is automatically performed when a school submits a PLUS Loan origination if no current credit eligibility information is available.

If the borrower completes a Direct PLUS Loan Request on the **StudentLoans.gov** website, a credit check will be performed if no current credit eligibility information is available in the COD System.

As an exception process a school can perform a credit check on the COD website before asking a PLUS borrower to complete an MPN, but they must have a signed authorization from the borrower to do so.

Results of the credit check are returned in the response sent to the school if the credit check is completed through the origination process or the **StudentLoans.gov** Direct PLUS Loan Request.

Establishing ineligibility to borrow

A school may document that a parent cannot take out a PLUS because the parent is already in default on a federal loan or owes a federal grant repayment.

A school may document exceptional circumstances that may preclude an individual from borrowing a PLUS Loan, such as Supplemental Security Income, receipt of Aid to Families with Dependent Children, active bankruptcy proceedings, etc., without requiring a credit check in order to establish that the student is eligible for additional unsubsidized loan amounts available to students whose parents do not qualify for PLUS Loans.

If a school has documented that one student in a family been denied credit in an academic year, the school does not need to perform a credit check for another student from the same family for the same academic year.

Credit checks

The MPN includes authorization for the credit check. If an accepted MPN is not on file, permission from the borrower is required prior to originating a PLUS Loan.

A credit check is automatically performed when a school submits a PLUS Loan origination if no current credit eligibility information is available.

If the borrower completes a Direct PLUS Loan Request on the **StudentLoans.gov** website, a credit check will be performed if no current credit eligibility information is available in the COD System.

As an exception process, a school can perform a credit check on the COD website before asking a PLUS borrower to complete an MPN, but they must have a signed authorization from the borrower to do so.

Results of the credit check are returned in the response sent to the school if the credit check is completed through the origination process or the **StudentLoans.gov** Direct PLUS Loan Request.

Regardless of the method used to initiate the credit check, the credit check decision will be valid for all PLUS origination records submitted within the time frame that credit checks are valid.

If schools send in a PLUS origination record with an anticipated disbursement (DRI set to “False”) without an accepted credit check decision, the COD System will create an award record for the loan. The COD System will reject a PLUS record that is submitted with actual disbursement information (DRI set to “True”) if the credit decision is declined or the results are pending.

A declined credit decision is returned when a borrower is determined to have an adverse credit history.

A pending credit decision is returned when there is a discrepancy between the borrower information that is submitted and the borrower information that is available at the credit bureau. Student Loan Support will contact the borrower to resolve the discrepancy. Foreign addresses will also cause a pending credit decision to be returned. If the pending decision is the result of a foreign address, the most recent U.S. address will be requested.

Endorsers

If the parent or graduate/professional student is determined to have an adverse credit history, he or she may still be able to obtain a loan by getting someone without an adverse credit history to complete an endorser addendum. (The student cannot be the endorser for the parent who is obtaining a PLUS Loan for his or her undergraduate student.)

The endorser addendum obligates the endorser to repay the loan if the borrower does not. The endorser may choose to endorse the entire loan or a lesser amount. The endorser is required to complete a credit check to ensure that he or she does not have an adverse credit history.

The endorser can complete the endorser addendum electronically at **StudentLoans.gov**. The borrower will need to provide a Loan Reference number or the award identification number to the endorser who is completing the endorser addendum electronically. A randomly-generated Loan Reference number is sent via email to borrowers with an adverse credit history who complete the Direct PLUS Loan Request via **StudentLoans.gov**. These borrowers can also obtain the Loan Reference number by logging in to **StudentLoans.gov** and selecting “Direct PLUS Loan Requests” from the left hand navigation. The loan reference number is included in the PLUS Acknowledgement sent to the school. Borrowers are instructed to obtain the award identification number, which is generated when the origination is submitted, from the school.

Borrowers whose adverse credit history was determined by a credit check completed due to a PLUS origination must provide the loan identification number to the endorser to allow the endorser to complete the endorser addendum electronically.

When an endorser addendum is required, the PLUS MPN it is associated with can only be used for that one loan. In addition, all PLUS MPNs in the COD System for borrowers in these circumstances will automatically be given a status of “inactive.” The parent or graduate/professional student with a declined credit decision will need to submit a new PLUS MPN for any new loans. Each time the credit check indicates an adverse credit history, the borrower must get an endorser or provide documentation of extenuating circumstances to proceed with that loan.

Additional eligibility for dependent students

Students may elect to take out the additional amount of unsubsidized loans available to dependent students whose parents are not eligible for a PLUS Loan if their parents have:

- ♦ an adverse credit history ;
- ♦ exceptional circumstances that may preclude an individual from obtaining a PLUS Loan, such as Supplemental Security Income, receipt of Aid for Families with Dependent Children, active bankruptcy proceedings, etc., as documented by the school, without requiring a credit check.

In these cases, schools must flag the incoming record as eligible for the additional Direct Unsubsidized Loans.

PLUS Loan Request Data from COD

Once a borrower completes an online PLUS Loan request, the COD System will send a system-generated PLUS Loan Request Acknowledgement to the school(s) selected by the borrower.

The PLUS Acknowledgement is sent to the school's Student Aid Internet Gateway (SAIG) mailbox. The message class is CRSPxxOP, where “xx” is the last two digits of the award year in the request.

Appealing adverse credit history

A PLUS Loan applicant who has received a notification of an adverse credit history and believes inaccurate credit information was provided can contact the credit bureau to get the information corrected. In cases where the adverse credit history is correct but an applicant has extenuating circumstances that can be documented, the applicant may submit an appeal to Student Loan Support.

Examples of extenuating circumstances and examples of the documentation that may be required to support the claim are available on **StudentLoans.gov** under “Learn More” “What You Need” at the top of the home page.

The borrower can begin the process of documenting extenuating circumstances by logging in to **StudentLoans.gov**, and selecting “Document Extenuating Circumstances” on the left hand navigation bar, under “PLUS Request Process.”

Note that an endorser who has an adverse credit history will not qualify to endorse a loan based on extenuating circumstances.

Time frame for reporting actual disbursements

Schools must report actual disbursements (DRI = True) within 15 days of the date of the actual disbursement. If your school is participating as an Advanced Funded school, or has been placed on Cash Monitoring 1 (HCM1), it can submit a DRI = “True” up to seven (7) calendar days prior to the disbursement date.

Schools placed on Reimbursement or Cash Monitoring 2 (HCM2) review status can only submit a Disbursement Release Indicator = “True” on or after the Disbursement Date itself. The disbursement must be reviewed and approved by the School Participation Team.

Checking Eligibility at the Time of Disbursement

Before you awarded funds to a student, you confirmed that he or she was an eligible student and was making satisfactory academic progress (See **Volumes 1** and **2**). Before disbursing federal student aid funds, you must determine and document that a student remains eligible to receive them. You must confirm that:

- the student is enrolled in classes for the period;
- a student enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length has completed the previous period (credits and weeks or clock-hours and weeks of instruction);
- if the disbursement occurs on or after the first day of classes, that the student has begun attendance;
- for DL loans, the student is enrolled at least half time;
- the borrower has received the required disclosures,
- first-time student borrowers have completed entrance counseling and completed the first 30 days of their academic program (See *Volume 3*);
- for TEACH Grants, the student has, for that award year –
 1. completed the relevant initial or subsequent counseling;
 2. signed an “Agreement to Serve;” and
 3. the appropriate GPA, has otherwise met the performance standard through testing, or is a retiree or a current or former teacher (See *Volume 1*).

HOW COD PROCESSES LOAN RECORDS

When the COD System receives a common record document via SAIG, it will generate a receipt that is sent to your school's SAIG Mailbox (note: you have the option of not receiving receipts). If you enter student information on the COD website, this change will be noted as received in the COD common record (viewable on the website). This receipt acknowledges that the record has been received, is properly formatted, and will be processed. It does not mean that the record has been accepted.

The COD System performs a series of “edits” to check the accuracy of the data in the school's submission. Records can be accepted, accepted with warning edits, or rejected.

Once the COD System has processed a batch file containing origination records, it sends a response file back to the school indicating, for each student record, whether the record was accepted or rejected.

Warning edits

The COD System may accept some records with a warning edit to let you know that the record is acceptable but you may want to verify the data.

Reject edits

The COD System may reject portions of the Common Record if the data does not meet valid values for the data element or adhere to business rules. The response for the student record will contain the reject codes and a description of the error(s) that need to be corrected.

All the edits and their triggers are available in the COD Technical Reference Volume II Section 4 “Edits.”

Turnaround Times

The COD System retrieves Direct Loan records from SAIG mailboxes three times a day.

In general, the COD System returns the processed data to the school through SAIG by 8 am (ET) the next morning, though current standards allow up to 3 days to process DL Sub/Unsub loans and up to 5 days to process DL PLUS Loans.

Storage of rejected records

The COD system does not store records that have rejected at the Document (Batch) and Entity level.

The COD system does store Document and Entity data from records that have been rejected at the Person, Award, or Disbursement level—these records can be viewed on the COD web site.

CHANGES TO LOAN DISBURSEMENT DATA

Sometimes information about a Direct Loan borrower changes after the school sends the award or disbursement data to the COD System.

Whenever any data item changes, a school must update information in the loan origination/disbursement records it sent to the COD System. The best practice is to be sure all previous changes have been accepted by the COD System before sending additional updates.

Disbursement sequence numbers

The Disbursement Sequence Number identifies any changes or adjustments to a specific disbursement number. If there are any adjustments to a disbursement, the sequence number is incrementally increased. For example, if you made an adjustment to the student's first disbursement, it would still be Disbursement #1, but the new disbursement record would be listed as Disbursement #1 Sequence #2.

Reducing or inactivating (canceling) a loan or disbursement

A loan must be cancelled or reduced if the school discovers that the student or parent is no longer eligible for the loan or the student has withdrawn from school. Updates should be done on a timely basis.

A loan may be reduced if the school discovers that the borrower is no longer eligible for the loan, the borrower has decided against taking a loan, or the student has withdrawn from school. If a student has not begun to attend, or the borrower chooses to decline the loan or becomes ineligible, the loan is reduced to \$0, all actual and anticipated disbursements are reduced to \$0, and COD then considers the loan inactive.

REPORTING OF ACADEMIC YEAR AND LOAN PERIOD TO COD FOR DIRECT LOANS

The Moving Ahead for Progress in the 21st Century Act (MAP-21) (Public Law 112-141) added a new provision to the statutory requirements that limit a new borrower's eligibility for Direct Subsidized Loans.

Beginning with the 2013–2014 processing year, schools must accurately report academic year dates and loan period start and end dates for all types of Direct Loans (Direct Subsidized, Direct Unsubsidized, and Direct PLUS) to the Common Origination and Disbursement (COD) System.

Schools must also update a previous loan's reported loan period dates or academic year dates if the borrower's actual attendance during the loan period is different from the anticipated attendance that was the basis for the school's initial reporting to COD.

Following are some of the reasons that would require a school to update a loan's loan period or academic year:

- ♦ The borrower requests that a loan or a disbursement of a loan, be cancelled.
- ♦ The borrower does not begin attendance or does not begin attendance on at least a half-time basis in a payment period that was included in the originally reported loan period, and the school did not make any disbursements of the loan for that payment period.
- ♦ The school determines that the borrower is not eligible to receive a Direct Loan for a payment period that was part of the originally reported loan period. Reasons why the a borrower may have lost eligibility for the loan include: the borrower's failure to meet the school's satisfactory academic progress (SAP) standards, the borrower has a grant overpayment, or a change in financial circumstances makes the borrower ineligible for a Direct Subsidized Loan.
- ♦ The borrower withdraws during a payment period that was included in the originally reported loan period and, as a result, the entire amount of the loan that was intended for that payment period is returned under the Return to Title IV aid calculation (R2T4).
- ♦ For clock-hour programs, non-term credit hour programs, and certain types of nonstandard term credit-hour programs, the borrower fails to progress to the next payment period or academic year as scheduled.



Reporting of Academic Year and Loan Period to COD

GEN-13-13 May 10, 2013

Borrower's eligibility

HEA section 455(q)



